

CHANGE - ANNOUNCEMENT OF APPOINTMENT::CHANGE - ANNOUNCEMENT OF APPOINTMENT

Issuer & Securities

Issuer/ Manager

SINOCLOUD GROUP LIMITED

Securities

SINOCLOUD GROUP LIMITED - BMG8191N1048 - 5EK

Stapled Security

No

Announcement Details

Announcement Title

Change - Announcement of Appointment

Date & Time of Broadcast

07-Mar-2019 12:09:16

Status

New

Announcement Sub Title

Change - Announcement of Appointment

Announcement Reference

SG190307OTHRG4K3

Submitted By (Co./ Ind. Name)

Chan Andrew Wai Men

Designation

Chairman and CEO

Description (Please provide a detailed description of the event in the box below)

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

Additional Details

Date Of Appointment

08/03/2019

Name Of Person

Wan Ngar Yin, David

Age

58

Country Of Principal Residence

Hong Kong

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)

The nomination of Mr Wan Ngar Yin, David ("Mr Wan") as an Independent Director of the Company was duly reviewed and assessed by the Nominating Committee (the "NC") and the board of directors of the Company (the "Board"). The Board and the NC noted the reprimand and fine issued by the Hong Kong Securities and Futures Commission ("SFC") in 2016, on Yuanta Securities (Hong Kong) Company Limited ("Yuanta"), where Mr Wan was then serving as a responsible officer, director and chief operating officer. Please see the attachments for details on the aforementioned reprimand by SFC on Yuanta. The Board and the NC have considered such disciplinary action against Yuanta, are of the opinion that it will not impair Mr Wan's professional judgement and business ethics, and does not affect the suitability of Mr Wan to act as Independent Director of the Company.

The Board and the NC having assessed Mr Wan's qualification, work experience and competencies, are of the view that Mr Wan's appointment as Independent Director will enhance the core competencies of the Board and will be beneficial to the Board and to the Company.

Whether appointment is executive, and if so, the area of responsibility

Non-executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee

Professional qualifications

Type 1, 4, 9 Responsible Officer of the Hong Kong Securities and Futures Commission

Member of the Hong Kong Securities Institute

Member of the CPA Australia

Fellow Member of the Association of Chartered Certified Accountants

Associate Member of the Taxation Institute of Hong Kong

Associate Member of the Hong Kong Institute of Certified Public Accountants

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries

No

Conflict of interests (including any competing business)

No

Working experience and occupation(s) during the past 10 years

2018 - Present

**Managing Director and Responsible Officer
Silverbricks Securities Company Limited**

2018 - Present

**Director
Silverbricks Asset Management Company Limited**

2017 - Present

**Director
Yuanta Finance (Hong Kong) Limited**

2011- Present

**Director
Polaris Securities Hong Kong Limited**

2003 - Present

**Responsible Officer, Director and Chief Operating Officer
Yuanta Securities (Hong Kong) Company Limited**

2001 - 2010

**Director
Yuanta Asset Management (Hong Kong) Limited**

Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))

Yes

Shareholding interest in the listed issuer and its subsidiaries?

Yes

Shareholding Details

Mr Wan Holds 64,200,000 shares of the Company ("Shares"), and is deemed interested in the 6,000,000 Shares held by his spouse, Mdm Yip Kit Tim, Kitty.

Other Principal Commitments* Including Directorships#

*"Principal Commitments" has the same meaning as defined in the Code

These fields are not applicable for announcements of appointments pursuant to Listing Rule 704 (9) or Catalist Rule 704 (8).

Past (for the last 5 years)

2004 - 2014

**Independent Non-Executive Director
139 Holdings Limited**

Present

2009 - Present

Director

World Dynamic International Limited

2000 - Present

Director

Global Profit Capital Resources Limited

1997 - Present

Director

Primeroy Development Limited

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?

No

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?

No

(c) Whether there is any unsatisfied judgment against him?

No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?

No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?

No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?

No

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?

No

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?

No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

No

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or

No

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

No

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

Yes

If Yes, Please provide full details

In 2016, the Hong Kong Securities and Futures Commission ("SFC") has reprimanded and fined Yuanta Securities (Hong Kong) Company Limited HK\$4 million for failing to disclose the actual execution price, and properly and adequately disclose the financial gains it made whilst handling bond transactions for its clients. Please refer to the attached announcement and statement of disciplinary action released by the SFC for further information.

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

No

Any prior experience as a director of an issuer listed on the Exchange?

No

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange

Pursuant to Rule 406(3)(a) of the Catalist Rules, the Company will arrange for Mr Wan to attend the relevant training as prescribed under Practice Note 4D of the Catalist Rules.

Attachments

[SFC%20reprimands%20and%20fines%20Yuanta%20Securities%20HK%20Co%20Ltd%20HKD4%](#)

Statement%20of%20Disciplinary%20Action.pdf

Total size = 109K MB

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has publicly reprimanded Yuanta Securities (Hong Kong) Company Limited¹ (**Yuanta Securities**) and fined it \$4 million pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action relates to failings of Yuanta Securities concerning its trading of debt securities for clients during the period from 1 July to 31 December 2012 (**Relevant Period**). The SFC found that:
 - (a) Yuanta Securities failed to disclose the actual execution price, and provide accurate information to the clients regarding the full extent of the fees or charges it made in respect of the bond transactions executed during the Relevant Period;
 - (b) the daily statements Yuanta Securities sent to the clients (which served as contract notes) in respect of these bond transactions did not set out the actual execution price of the bonds and its commission and charges as required under sections 5(3) and (4) of the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Cap. 571Q) (**CNR**);
 - (c) Yuanta Securities failed to properly avoid and disclose conflicts of interest and treat its clients fairly or act in their best interests, in that it:
 - (i) made undisclosed financial gains in some of the bond transactions entered into on behalf of clients at the expense of the clients; and
 - (ii) failed to disclose its interest in the bond transactions to clients before dealing in those transactions.
3. The failures set out above suggest that Yuanta Securities has breached:
 - (a) General Principles 2 (diligence), 5 (information for clients) and 6 (conflicts of interest) and paragraphs 2.1 (accurate representations) and 10.1 (disclosure and fair treatment) of the Code of Conduct for Persons Licensed by or Registered with the SFC (**Code of Conduct**); and
 - (b) sections 5(3) and (4) of the CNR.

¹ Yuanta Securities is licensed under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

Summary of facts

4. In February 2013, the SFC carried out an inspection of Yuanta Securities and identified a number of deficiencies in Yuanta Securities' practices in the trading of debt securities for its clients.
5. The SFC's investigation revealed that during the Relevant Period:
 - (a) The terms and conditions which Yuanta Securities sent to its clients and the trading instruction form signed by the clients for trading bonds stated that Yuanta was acting as agent in the transactions. The Hong Kong clients who we had interviewed also understood that Yuanta Securities was acting as their agent in the transactions.
 - (b) After receiving a buy/sell order for a bond from a client, Yuanta Securities would buy/sell the product through a counterparty. It would then mark-up (for buy orders) or mark-down (for sell orders) the price executed with the counterparty, and sell (or buy) the product to (or from) the client at the marked-up or marked-down price, as the case may be.
 - (c) The mark-ups or mark-downs were done by two separate teams – the Financial Product Team (**Product Team**) and the sales team. When there was room for a profit, the Product Team would charge a fee in accordance with the criteria set out in its internal guidelines. The Product Team's mark-up or mark-down was not communicated to the sales team.
 - (d) The sales team, being unaware of the Product Team's adjustment to the price, took the adjusted price quoted by the Product Team as the execution price, and would then further charge the clients a commission / fee by marking up or down the price.
 - (e) The Product Team's commission was not disclosed to the clients at all, and was not reflected in the trading instruction form which was signed on the trade date, nor in the daily statement sent to the clients which served as a contract note for the transaction.
 - (f) Some of the clients who we interviewed stated that they were aware of the amount of the sales team's commission or service charges for the trades. However, such commission or charges were not always separately and properly disclosed in the trading instruction form or in the daily statement.
 - (g) On some occasions, in addition to the mark-ups by both the Product Team and the sales team, an additional commission for a fixed amount would be charged to the client, and only that fixed amount was disclosed as commission in the trading instruction form and in the daily statement.
 - (h) Apart from the failure to disclose Yuanta Securities' commission, the daily statement only showed the marked-up or marked-down price as the execution price and did not mention the actual execution price at which the bond was bought from, or sold to, the counterparty.

6. According to information provided by Yuanta Securities, it executed 256 transactions in debt securities for 96 clients during the Relevant Period with a total transaction value of approximately HK\$400 million. The fees or charges earned by Yuanta Securities in these transactions amounted to approximately HK\$3.1 million, about HK\$336,000 of which was commission made by the Product Team.

Failure to disclose material information in transactions

7. General Principle 5 (information for clients) and paragraph 2.1 (accurate representations) of the Code of Conduct require licensed corporations to make adequate disclosure of relevant material information in their dealings with clients. Information provided to clients must be accurate and not misleading.
8. Further, licensed corporations which enter into securities transactions with or on behalf of clients are required under the CNR to prepare and provide contract notes to the clients. Such contract notes must include the information stipulated in sections 5(3) and (4) of the CNR, including the price of the securities, the rate or amount of commission and charges payable in respect of the transaction.
9. During the Relevant Period, the Product Team made a profit from some of the bond transactions, but that information was not disclosed to the sales team or to the clients. Inaccurate information about the trading price was therefore provided to the clients verbally, in the trading instruction form and the daily statement by stating the adjusted price to be the price at which the bonds were bought or sold, without explaining to the clients the nature of the price or the full extent of the profit made by Yuanta Securities.
10. Although some of the clients appear to be aware of the part of the commission charged by Yuanta Securities' sales team, such commission was not always properly disclosed in the trading instruction forms. The daily statement sent to them also contained no information about such commission, and the marked-up or marked-down price was shown as the trading price.
11. The SFC found that:
 - (a) Yuanta Securities failed to disclose the actual price at which the bonds were executed to its clients, and failed to provide accurate information to the clients regarding the full extent of the fees or charges it made in respect of the bond transactions executed during the Relevant Period, in breach of General Principle 5 and paragraph 2.1 of the Code of Conduct; and
 - (b) the daily statements Yuanta Securities sent to the clients (which served as contract notes) did not set out the actual execution price of the bonds and its commission and charges as required under sections 5(3) and (4) of the CNR.

Failure to disclose conflicts of interest

12. As a licensed corporation, Yuanta Securities is required under General Principles 2 and 6 and paragraph 10.1 of the Code of Conduct to act in the best interests of its clients, and avoid conflicts of interest. Where it has a material interest in a transaction with or for a client which gives rise to an actual or potential conflict of interest, it should not deal in relation to the transaction unless it has disclosed that material interest or conflict to the client and has taken all reasonable steps to ensure that its clients are treated fairly.

13. There appeared to be conflicts of interest between Yuanta Securities and its clients by the way in which Yuanta Securities' Product Team made a mark-up or mark-down of the execution prices before quoting them to the sales team and ultimately to the clients.
14. Yuanta Securities had informed clients that it was acting as their agent in the bond transactions. In its capacity as agent, it should have informed the clients about the actual trading prices at which it had bought the bonds for them on the market, and the commission or service charges that it would charge for the transactions. Yuanta Securities failed to do so.
15. Whilst some of the clients appear to be aware of the amount of the sales team's commission for the trades, the mark-up / mark-down by the Product Team on the trading prices was not disclosed to the clients.
16. The profit which Yuanta Securities made through its Product Team whilst conducting transactions on behalf of its clients was made at the expense of its clients. Its failure to avoid or properly disclose conflicts of interest was unfair to its clients as Yuanta Securities' profit taking through the Product Team directly reduced the return on investment for the clients, which was unbeknown to them. As such, Yuanta Securities did not act in their best interests.
17. Further, in the absence of any disclosure of Yuanta Securities' interests in the transactions, clients were not aware of them and were deprived of the opportunity to make an informed decision as to whether to continue to use the services of Yuanta Securities in conducting bond transactions.
18. In the circumstances, the SFC found that Yuanta Securities has failed to properly avoid and disclose conflicts of interest and failed to treat its clients fairly or act in their best interests, in breach of General Principles 2 and 6 and paragraph 10.1 of the Code of Conduct.

Conclusion

19. It is a fundamental duty of a licensed person to act in the best interests of its clients and to treat clients fairly by providing them with relevant material information about their transactions. Yuanta Securities failed to provide accurate information to its clients regarding the trading price and its commission charges when trading debt securities for its clients. Its practices of making undisclosed financial gains from the bond transactions at the clients' expense were unfair to the clients.

SFC reprimands and fines Yuanta Securities (Hong Kong) Company Limited \$4 million

29 Feb 2016

The Securities and Futures Commission (SFC) has reprimanded and fined Yuanta Securities (Hong Kong) Company Limited (Yuanta Securities) \$4 million for failing to disclose the actual execution price and properly and adequately disclose the financial gains it made whilst handling bond transactions for its clients (Note 1).

An SFC investigation found that from 1 July to 31 December 2012, Yuanta Securities, acting as its clients' agent, made approximately \$3.1 million in commission by marking-up or marking-down the execution prices in some of the 256 bond transactions for 96 clients without making proper and accurate disclosure to the clients.

After receiving a client's buy order, Yuanta Securities' financial product team would buy the product through a counterparty and mark-up the trading price before passing it to the sales team which would further mark-up the price before selling it to a client. The same approach was used in executing sell orders by marking down the trading prices.

Whilst some of the clients appeared to be aware of the amount of the commission the sales team earned from the trades, such commission was not always properly disclosed in the trading instruction form and was not mentioned in the daily statements sent to the clients. Furthermore, the clients were charged additional fees by Yuanta Securities without their knowledge and consent since they were not informed of the financial product team's mark-up/mark-down.

The SFC concluded that Yuanta Securities failed to:

- properly avoid and disclose conflicts of interest and treat its clients fairly or act in their best interests;
- provide accurate information to the clients regarding the actual execution price and the full extent of the fees or charges it made in respect of the transactions; and
- set out the actual execution price and the commission and charges in the daily statements sent to clients as required under the law (Note 2).

End

Notes:

1. Yuanta Securities is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.
2. Section 5(1) of Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules requires licensed corporations which enter into securities transactions with or on behalf of clients to prepare and provide contract notes to the clients. Such contract notes must include the information as stipulated under sections 5(3) and (4) of the Rules, including the price of the securities, the rate or amount of commission and charges payable in respect of the transaction.

A copy of the Statement of Disciplinary Action is available on the SFC website

